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021313Z Jun 05

C O N F I D E N T I A L AMMAN 004369

SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR
RUBINSTEIN/GREENE/GERMAIN/LOGERFO; TREASURY FOR
MILLS/DOWNARD; NSC FOR ABRAMS/DANIN/MUSTAFA

E.O. 12958: DECL: 06/02/2015

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SUBJECT: ASSISTANT SECRETARY WAYNE,S MAY 18 MEETING WITH
PALESTINIAN AUTHORITY FINANCE MINISTER FAYYAD

Classified By: CHARGE DAVID HALE FOR REASONS 1.4 (B) AND (D).

FY 2005 Supplemental

1. (C) On the margins of the BMENA Trade and Investment conference in Amman on May 18, PA Finance Minister Salam Fayyad acknowledged to Assistant Secretary E. Anthony Wayne that he had found the Congressional debate of the PA's worthiness of the supplemental request stressful and contrary to the spirit of the Administration's request. He noted that the approved version (and the designation of USD 50 M for Israel) had received widespread negative coverage locally. He said he had been surprised since it was contrary to the spirit of the relationships that he had forged with many members of Congress. Nevertheless, Fayyad said that the PA would continue to do the best that it could to earn the trust and confidence of its friends. A/S Wayne said that the USG remained committed to working together with Fayyad, Quartet Envoy James Wolfensohn, and other partners.

Request for a Cash Transfer

2. (C) Fayyad said that he would like to work with the USG on a cash transfer to the PA of the remaining FY 05 Economic Support Funds. He said he had read the record of the supplemental debate and there appeared to be an understanding in Congress that a presidential waiver could be used on the remaining FY 05 money. Fayyad said that such a transfer would provide the PA with much needed assistance. Fayyad said that if this could be prepared for President Abbas' visit to Washington, Abbas would be very pleased. According to Fayyad, it would give him encouragement and something tangible with which to go back home and would balance out the \$50 million for Israel in the supplemental. Wayne said he would explore this with colleagues in Washington. Fayyad said that if the PA had been able to get the full USD 200 M then he would not have raised this issue. (Note: The President subsequently announced May 26 a USD 50 M cash transfer to the PA for infrastructure projects in the Gaza Strip. End Note.)

Disengagement

3. (C) Fayyad acknowledged that the PA had taken a bit of a hiatus earlier on disengagement planning but that it was now engaged and working hard. He noted that the PA still did not have all of the settlement asset information that it needed for planning purposes and that it was essential that this information be shared by the GOI as soon as possible. (Note: As of May 31, PA officials reconfirmed to ConGenOffs that the GOI had not yet begun to share the requested asset inventory information with the PA. End note.) Fayyad said that the PA was strongly considering hiring a management company to oversee the selection of successful bidders to lease the assets while the PA decided the final disposition of the assets. By focusing on a short-term, temporary solution while the longer-term issues were considered and resolved, the PA would be seen as being more proactive and build confidence in its ability to manage the situation, according to Fayyad.

4. (C) In terms of the other disengagement issues for discussion with the GOI, Fayyad said he believed that everything was negotiable. His main concern, he said, was to ensure that the customs union would not be abrogated but kept the way it currently was. Fayyad stressed that all efforts must be expended to guarantee that a post-disengagement Gaza is not a sealed-off Gaza and to guarantee access to the West Bank and the world.

5. (U) This message was cleared by Assistant Secretary Wayne.
HALE